

Message Text

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UNCLAS SANTIAGO 9108

PASS EXIMBANK FOR THEODORE A. CHAPMAN, DEPUTY VICE PRESIDENT FOR
LATIN AMERICA

E.O.11652:N/A

TAGS: EFIN, EAL

SUBJ: EXIMBANK FINANCING FOR U.S. DRILLING PROJECT IN STRAITS OF
MAGELLAN

REF: SANTIAGO 9097

1. WE UNDERSTAND THAT SANTA FE DRILLING COMPANY HAS APPROACHED EXIMBA
NK

TO OBTAIN FINANCING OF A SERVICE CONTRACT FOR ENAP, THE CHILEAN STATE
OIL ENTITY. TOTAL PROJECT WILL COST APPROXIMATELY 40 MILLION U.S.
DOLLARS, OF WHICH 18 MILLION DOLLARS WOULD BE SANTA FE'S COMPENSATION
AND THE BALANCE U.S. EQUIPMENT. (TUBULARS, CONSTRUCTION STEEL, AND
DRILLING MUD EQUIPMENT.) AT THIS END, WE ARE NOT INFORMED OF
PROPORTION OF THIS FOR WHICH EXIM FINANCING IS SOUGHT.

2. SANTA FE HAS HAD LONG AND MUTUALLY PROFITABLE HISTORY OF CONTRACTI
NG

FOR ENAP. MOREOVER, IT CAN BRING PROPRIETARY TECHNOLOGY TO BEAR ON
THIS PROJECT PROBABLY NOTMATCHED BY ANY OTHER INTERNATIONAL BIDDER.
AT

THE SAME TIME, HOWEVER, IT SEEMS LIKELY THAT BID AWARD WILL DEPEND
GREATLY ON DEGREE OF EXPORT FINANCING AVAILABLE. WE KNOW OF NO OTHER
U.S. DRILLING CONTRACTOR IN THE PICTURE AT THIS TIME, BUT ARE TOLD
BY SANTA FE THAT SEVERAL ACTIVE OTHER-COUNTRY COMPETITORS HAVE ACCESS
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TO EXPORT FINANCING BY THEIR HOME GOVERNMENTS.

3. WE APPRECIATE THAT SCOPE OF SANTA FE FINANCING NEEDS IS WELL BEYOND THAT CONTEMPLATED BY EXIMBANK FOR CHILE AT THIS TIME. HOW-
EVER, WE SUGGEST THAT THIS IS THE KIND OF WORTHWHILE PROJECT FOR WHICH AN EXCEPTION SHOULD BE CONSIDERED - EVEN TO THE EXTENT OF THIS TRANSACTION. WE NOTE, TOO, THAT THIS WILL PROBABLY BE A SERIES OF EXPORT CREDITS/ GUARANTEES, WITH SANTA FE'S COMPENSATION BEING A MAJOR ITEM.

4. REFTEL POINTED OUT THAT CHILE'S DEBT SERVICE BURDEN ON FOREIGN DEBT WILL BE CUT IN HALF BY 1981. CHILE DID NOT SEEK A DEBT RE-SCHEDULING EXERCISE THIS YEAR NOT MERELY TO AVOID POLITICAL PRESSURES, BUT ALSO FOR REASONS OF SOUND DEBT MANAGEMENT. THE SUCCESS OF THE GOC IN BRINGING ORDER INTO ITS INTERNATIONAL PAYMENTS AND DEBT POSTURE HAS BEEN RECOGNIZED BY U.S. PRIVATE SECTOR BANKS. WE BELIEVE THAT THE GOC CAN CARRY A HIGHER LEVEL OF SUPPLIERS' CREDITS FOR PRODUCTIVE PURPOSES OVER THE NEXT TEN YEARS, INCLUDING LARGER SCALE EXIM FINANCING.

5. RECOMMENDATION. THAT THE DEPARTMENT, COMMERCE AND TREASURY BRING THESE CONSIDERATIONS TO THE ATTENTION OF THE EXIMBANK BOARD IN SUPPORT OF SANTA FE'S APPLICATION.
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